

CITY OF  
MOUNTAIN VIEW,  
CALIFORNIA

FISCAL YEAR  
2010-11

BUDGET REPORT—  
OTHER GENERAL, SPECIAL  
AND UTILITY ENTERPRISE  
FUNDS AND RESERVES

**CITY OF MOUNTAIN VIEW  
MEMORANDUM**

DATE: April 30, 2010

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: MAY 4, 2010 STUDY SESSION—BUDGET REPORT—OTHER GENERAL,  
SPECIAL AND UTILITY ENTERPRISE FUNDS AND RESERVES

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**INTRODUCTION**

This report presents the Fiscal Year 2009-10 budget status update and the projected Fiscal Year 2010-11 budget for the Building Services, Shoreline Golf Links, Revitalization Authority (Authority), Shoreline Regional Park Community (Shoreline Community), Water, Wastewater and Solid Waste Management Funds, along with recommended rate adjustments for water, wastewater and trash utility services. A discussion of City reserves (see Attachment A) is also included as well as the third-quarter update to performance measures (see Attachment B).

**BACKGROUND AND ANALYSIS**

**General Fund: Building Services**

Building Services is a General Fund program, separated from the General Operating Fund with the adoption of the Fiscal Year 2006-07 budget in order to facilitate better tracking and accounting. This separation allows for an effective way to match revenues and expenditures and to provide the Building Division with sufficient support to sustain a consistent level of service throughout the fluctuations of the development cycle.

The current revenue estimate for Fiscal Year 2009-10 is \$3.2 million, \$322,000 (11.2 percent) higher than budget. Compared to budget, plan check revenue appears to be declining and permit revenue appears to be growing as previously approved projects placed on hold are now moving forward through the permit process. This is part of the cyclical nature of development-related revenue; there is a timing difference for each project as plan check revenue is collected at the beginning of the development process and permit revenue is collected just prior to construction.

The operating expenditures for the current fiscal year are estimated at \$2.9 million, \$548,000 (15.8 percent) less than budget, primarily the result of savings in salaries, benefits and contracts.

Included in operating expenditures is \$648,000 to reimburse the cost of administrative support by the General Operating Fund and \$25,000 of support provided by other funds. In addition, Building Services contributed \$388,000, its share of the Retirees' Health Unfunded Actuarial Accrued Liability (UAAL).

The fund is estimated to end the current fiscal year with a balance of \$5.1 million.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 217	208	198	175
Permits	1,561	1,558	2,062	2,000
Plan Checks	1,026	1,100	928	1,021
Other	<u>6</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	2,810	2,866	3,188	3,196
Operating Expenditures	<u>2,821</u>	<u>3,460</u>	<u>2,912</u>	<u>3,382</u>
Operating Balance	(11)	(594)	276	(186)
Retirees' Health UAAL	(262)	(388)	(388)	-0-
Capital Projects	<u>-0-</u>	<u>(50)</u>	<u>(50)</u>	<u>(200)</u>
Excess (Deficiency) of Revenues	(273)	(1,032)	(162)	(386)
Beginning Balance	<u>5,515</u>	<u>5,242</u>	<u>5,242</u>	<u>5,080</u>
Ending Balance	<u>\$5,242</u>	<u>4,210</u>	<u>5,080</u>	<u>4,694</u>

Fiscal Year 2010-11 revenues are recommended at \$3.2 million, approximately the same level as the current fiscal year estimate.

Fiscal Year 2010-11 operating expenditures are recommended at \$3.4 million, a \$78,000 decrease compared to the current fiscal year adopted budget. This is the result of a reduction in administrative reimbursement and a one-time expenditure of

\$45,000 budgeted in the current fiscal year, resulting in a reduction in general operating costs for Fiscal Year 2010-11.

The fund is recommended to contribute \$200,000 toward the Information Technology Capital Improvement Project for the Permit Tracking System.

The fund is projected to end the 2010-11 fiscal year with an operating balance deficit of \$186,000 and an ending balance of \$4.7 million.

**General Fund: Shoreline Golf Links**

Shoreline Golf Links is an 18-hole course designed by Robert Trent Jones II & Associates and was completed in 1983. The course is open to the public 364 days a year and managed by the City, which has funded major renovations over the past decade. Although Shoreline Golf Links is a General Fund program, it is tracked and reported separately for management information purposes and to provide a more comprehensive overview of its operations.

This operation was budgeted in Fiscal Year 2009-10 with a \$802,000 gap between operating revenues and expenditures recognizing there would be budget savings to offset a portion of the deficit. The fund is estimated to end the current fiscal year with a negative operating balance of \$552,000, lower than projected in the budget.

Paid rounds peaked in Fiscal Year 2001-02 at 76,000 and have steadily declined to a low of 65,000 rounds in Fiscal Year 2008-09. The 2009-10 adopted budget anticipated paid rounds would remain flat at approximately 65,000 rounds, generating \$2.0 million in green fees. As previously discussed with Council, golf is an activity sensitive to the economy and the local unemployment rate remains high. Also, new golf courses have been constructed in the Bay Area and there is more competition for business. As a result, green fees and all associated revenues are estimated to be 5.1 percent lower than the prior fiscal year. The current fiscal year estimate includes green fees of \$2.0 million. In addition, all other revenues are at or below the prior fiscal year actual and the Fiscal Year 2009-10 adopted. Total revenues are estimated at \$3.1 million compared to the \$3.3 million adopted budget.

Current fiscal year operating expenditures are estimated at \$3.6 million, \$429,000 less than the budget of \$4.1 million. This reflects savings in salaries resulting from a vacancy, wages and miscellaneous operational savings. Included in operating expenditures is \$378,000 to reimburse the cost of administrative support provided by the General Operating Fund. The Golf Links was financially unable to fund its entire share of the Retirees' Health UAAL of \$1.6 million but was able to fund its \$103,000 annual share of the amortization. After taking into account the negative operating balance, the fund is estimated to end the current fiscal year with a balance of \$839,000.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	<u>2008-09</u> <u>Audited</u>	<u>2009-10</u> <u>Adopted</u>	<u>2009-10</u> <u>Estimated</u>	<u>2010-11</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 65	52	51	27
Green Fees	2,019	2,006	1,958	1,958
Cart/Other Rental Fees	343	330	301	316
Driving Range	344	327	329	345
Retail Sales	330	401	293	401
Other	<u>164</u>	<u>151</u>	<u>156</u>	<u>161</u>
Total Revenues	3,265	3,267	3,088	3,208
Operating Expenditures	<u>3,702</u>	<u>4,069</u>	<u>3,640</u>	<u>4,027</u>
Excess (Deficiency) of Revenues	(437)	(802)	(552)	(819)
Beginning Balance	<u>1,828</u>	<u>1,391</u>	<u>1,391</u>	<u>839</u>
Ending Balance	<u>\$1,391</u>	<u>589</u>	<u>839</u>	<u>20</u>

Revenues for Fiscal Year 2010-11 are projected to total \$3.2 million, \$120,000 higher than the current fiscal year estimated revenue as the projection assumes the constant budget for revenues and expenditures related to pro shop merchandise purchases and sales. If sales activity is not at the budgeted level, less merchandise will be purchased, resulting in lower expenditures. Operating expenditures are recommended at \$4.0 million.

Golf course equipment requires an annual equipment replacement contribution of \$204,000 for Fiscal Year 2010-11. Also included in Fiscal Year 2010-11 operating expenditures is the Retirees' Health UAAL annual amortization of \$126,000 and \$359,000 for reimbursement of administrative support provided by General Operating Fund departments, such as the City Manager's Office, City Attorney's Office, Finance and Administrative Services and Community Services Departments.

There are no Fiscal Year 2010-11 budget reduction recommendations included in this report. Staff has been gathering data and developing recommendations for alternative operational models and will be presenting these to Council later this spring.

The operating balance for Fiscal Year 2010-11 is projected at a \$819,000 deficit and the fund is projected to end Fiscal Year 2010-11 with a balance of \$20,000. As can be seen from the financial position of this fund, a long-term financial strategy needs to be

determined. As mentioned above, staff is developing recommendations for a strategy for the Shoreline Golf Links and will be presenting this to Council later this spring.

### **Revitalization Authority Fund**

The Authority was established in 1969 and is a legally separate governmental entity with the City Council acting as the governing board. The Authority has undertaken a number of projects and programs over the years to renovate and redevelop the downtown area of Mountain View to make it a focal point of the community. In 1995, the redevelopment plan was modified as required by a change in State law. As of 2003, the Authority can no longer issue debt and will not receive property tax increment once all outstanding debt is retired or after April 2019, whichever occurs first. On September 11, 2007, Council amended the Downtown Revitalization District and Plan to extend the life of the District's operations by two years to April 2011. The State allowed for this extension (SB 1096) because of the two fiscal years (Fiscal Years 2004-05 and 2005-06) that Educational Revenue Augmentation Fund (ERAF) III payments were taken from the Authority by the State to backfill education funding.

Fiscal Year 2009-10 revenues for the Authority are estimated at \$5.3 million, \$370,000 more than the adopted budget of \$4.9 million. Property taxes are the primary source of revenue for the Authority and is estimated at \$5.0 million, \$264,000 more than anticipated in the adopted budget. Fiscal Year 2009-10 secured and unsecured assessed value (AV) increased a net 2.96 percent compared to the prior fiscal year tax roll, most of which was not anticipated in the budget. This AV increase is related to the change in ownership of numerous commercial and residential properties.

Total current fiscal year operating expenditures for the Authority are estimated at \$3.3 million, on target with the adjusted budget. As a redevelopment agency, the Authority is obligated to reserve and use 20.0 percent of annual property tax increment revenue to provide low- and moderate-income housing (Housing Set-Aside). Since property tax revenues are estimated to be higher than budget, the 20.0 percent set aside will also be higher than budget.

At the April 20 Study Session, staff presented to Council the proposed Five-Year Capital Improvement Program, which included a discussion of the Revitalization projects which had already been funded and future projects recommended to be funded from the \$1.0 million (of the \$7.0 million) debt issued in 2003. If Council approves these projects, there will be \$79,000 of bond proceeds remaining.

There is a \$2.0 million note from the Shoreline Community, a debt incurred for the purchase of property located at the corner of California and Bryant Streets (across from Mountain Bay Plaza). This loan will be repaid with proceeds from the sale or lease of this property.

In Fiscal Year 2005-06, the Authority loaned \$1.1 million to the Parking In-Lieu Fund, to be repaid as in-lieu fees are received. The funds were an additional contribution for the construction of the California/Bryant Parking structure. Loan repayments have been made since then and the current outstanding loan balance is \$305,000.

As part of the Fiscal Year 2009-10 State Budget balancing, a Supplemental Education Revenue Augmentation Fund (SERAF) takeaway was assessed on all redevelopment agencies and the Authority will be required to pay \$1.7 million in May 2010 and \$345,000 in May 2011. The California Redevelopment Association (CRA) has filed a lawsuit on behalf of redevelopment agencies and the court is expected to rule prior to the payment due date. Last fiscal year, the CRA filed a successful lawsuit on behalf of redevelopment agencies—in April 2009, the Sacramento Superior Court ruled the Fiscal Year 2008-09 mandated payment was unconstitutional.

The Council has recently reviewed the scheduled sunseting (April 2011) of the Revitalization project area. In conjunction with the implementation of the sunseting, \$625,000 was appropriated for various studies and projects. The City Council has asked for a review of potential alternatives to the District expiring in 2011. Staff will prepare a report discussing potential options.

After funding the Retirees' Health UAAL of \$39,000 and capital improvement projects of \$50,000, the Authority is estimated to end the current fiscal year with a \$209,000 balance of revenues over expenditures, an ending balance of \$6.6 million and \$136,000 of unappropriated bond proceeds and accrued interest for downtown capital improvements in addition to the \$79,000 remaining from the original debt issue in the CIP as discussed earlier in the report.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	<u>2008-09 Audited</u>	<u>2009-10 Adopted</u>	<u>2009-10 Estimated</u>	<u>2010-11 Recommended</u>
Revenues:				
Property Taxes	\$5,060	4,716	4,980	4,783
Investment Earnings	271	167	273	237
Other Revenue	<u>16</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>5,347</u>	<u>4,883</u>	<u>5,253</u>	<u>5,020</u>
Expenditures:				
Operating	561	591	614	575
20% Set-Aside	1,012	943	996	957
Debt Service	1,442	1,548	1,509	1,737
Loan Payment	<u>166</u>	<u>165</u>	<u>166</u>	<u>165</u>
Total Expenditures	<u>3,181</u>	<u>3,247</u>	<u>3,285</u>	<u>3,434</u>
Operating Balance	2,166	1,636	1,968	1,586
Loan Repayment from				
Parking In-Lieu Fund	1	-0-	-0-	-0-
SERAF	-0-	-0-	(1,670)	(345)
Retirees' Health UAAL	(68)	(39)	(39)	-0-
Capital Projects	<u>(225)</u>	<u>-0-</u>	<u>(50)</u>	<u>225</u>
Excess (Deficiency) of				
Revenues	1,874	1,597	209	1,466
Beginning Balance	4,643	6,517	6,517	6,726
Bond Proceeds	<u>(100)</u>	<u>(119)</u>	<u>(136)</u>	<u>(154)</u>
Ending Balance	<u>\$6,417</u>	<u>7,995</u>	<u>6,590</u>	<u>8,038</u>

The Fiscal Year 2010-11 expenditure recommendations are listed below:

- Banners for Castro Street: \$10,000 (limited-period)

This is to design, manufacture and replace the banners on the streetlight poles on Castro Street and near the Downtown Transit Center. Current banners are over three years old and are worn and tattered. *Maintains the appearance of the downtown.*



Revenues for the upcoming fiscal year are projected at \$5.0 million, a \$233,000 decrease compared to the current fiscal year estimate. Combined secured and unsecured property tax is projected with a net 4.0 percent decline compared to the July 1, 2009 tax roll. Secured AV is projected to decrease 0.237 percent, reflecting the California Consumer Price Index from October 2008 to October 2009 and a 4.0 percent decline in AV is included for some secured commercial property. There has been minimal change of ownership during the prior fiscal year and the resulting increase in property tax is less than \$500. In addition, unsecured tax is projected to decline. Final information regarding property taxes for the 2010-11 fiscal year will not be available from the County of Santa Clara (County) Assessor's Office until after July 1. Investment earnings are projected to decline slightly due to the reduced portfolio yield.

Expenditures are recommended at \$3.4 million, including \$236,000 for the Authority's allocation of administrative support provided by the General Operating Fund. Projected revenues are anticipated to exceed recommended operating expenditures by \$1.6 million and result in a projected Fiscal Year 2010-11 ending balance of \$8.0 million and unappropriated bond proceeds of \$154,000.

The Revitalization Authority Housing Set-Aside Fund is a subset of the Revitalization Authority Fund. State law mandates that a housing set-aside requirement equivalent to 20.0 percent of the Authority's annual property taxes is to be used for the provision of low- and moderate-income housing.

As of June 30, 2009, the Housing Set-Aside Fund had a balance of \$10.5 million, including \$6.0 million of bond proceeds from the 2003 low-/moderate-income housing debt issue, the accumulation of annual 20.0 percent Set-Aside funds and investment earnings.

Council had previously appropriated \$160,000 of Housing Set-Aside funds for the predevelopment costs for the downtown family rental housing and Habitat projects. The downtown affordable family housing development is progressing through the environmental, design and public review process. However, Habitat for Humanity has withdrawn their application. There is currently approximately \$105,000 remaining (from the original \$160,000 appropriated).

In June 2010, staff will be returning to Council for approval of the downtown family housing project to partially be funded from Housing-Set-Aside funds in the amount of \$3.3 million. An agency may accumulate \$1.0 million or four prior years of annual set-aside, whichever is higher. Any amount over this is considered excess surplus. If Council approves the project and the appropriations, the Housing Set-Aside will not have an excess surplus as of July 1, 2010. Once the \$3.3 million is encumbered, it will reduce the amount of accumulated funds.

In Fiscal Year 2006-07, the Authority loaned Housing Set-Aside funds to Mid-Peninsula Housing Coalition for the Paulson Park Apartments projects. The 104 very low-income residential units are fully leased and the outstanding balance of the loan is \$850,830.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended for Housing Set-Aside follows (amounts in thousands):

	<u>2008-09 Audited</u>	<u>2009-10 Adopted</u>	<u>2009-10 Estimated</u>	<u>2010-11 Recommended</u>
Revenues:				
Investment Earnings	\$ 377	349	365	419
Transfer from Revitalization Authority	<u>1,012</u>	<u>943</u>	<u>996</u>	<u>957</u>
Total Revenues	<u>1,389</u>	<u>1,292</u>	<u>1,361</u>	<u>1,376</u>
Expenditures:				
Operating	123	228	127	3,551
Debt Service	<u>608</u>	<u>607</u>	<u>607</u>	<u>607</u>
Total Expenditures	<u>731</u>	<u>835</u>	<u>734</u>	<u>4,158</u>
Operating Balance	658	457	627	(2,782)
Retirees' Health UAAL	<u>(56)</u>	<u>(5)</u>	<u>(5)</u>	<u>-0-</u>
Excess (Deficiency) of Revenues	602	452	622	(2,782)
Beginning Balance	<u>9,924</u>	<u>10,526</u>	<u>10,526</u>	<u>11,148</u>
Ending Balance	<u>\$10,526</u>	<u>10,978</u>	<u>11,148</u>	<u>8,366</u>

The Fiscal Year 2010-11 expenditure recommendations include the following:

- Downtown Family Housing Project: \$3,340,000 (limited-period)

The Council reserved \$7.0 million in Housing Set-Aside and Below-Market-Rate (BMR) Housing funds for the affordable downtown family development. Of this \$7.0 million, it is anticipated that \$3.3 million will come from Housing Set-Aside funds. The downtown project will be going to the City Council for final Council action in June. If the project is approved by Council and successful in competing for a tax credit allocation in July, Housing Set-Aside funds will be used for the

ground lease and project construction in Fiscal Year 2010-11. *Budgets resources for project.*

Revenues projected at \$1.4 million for Fiscal Year 2010-11 include investment earnings and the 20.0 percent Housing Set-Aside transfer of property tax increment. Expenditures of \$4.2 million are recommended, including the \$3.3 million for the downtown housing project and the \$607,000 debt service on the outstanding \$6.0 million in bonds issued for low- and moderate-income housing. This results in an ending balance of \$8.4 million.

#### **Shoreline Regional Park (North Bayshore) Community Fund**

The Shoreline Community was created in 1969 for the development and support of the Shoreline Regional Park and the surrounding North Bayshore Area. This fund has traditionally been in a relatively strong financial position with sufficient resources to finance expenditures, including significant capital improvements. As a result of the dot.com recession and the resulting high vacancy rate, total AV declined 22.0 percent over the three-year period of Fiscal Year 2002-03 to Fiscal Year 2004-05. Since then, AV and property tax revenues have recouped the previous losses and grown steadily.

Total estimated revenues for the current fiscal year are \$30.9 million, \$5.6 million higher than budgeted revenues of \$25.2 million, primarily the result of the completion of the appraisal for two land leases which changed ownership in 2006. Total AV increased 26.3 percent compared to the July 1, 2009 tax roll, reflecting a 6.6 percent growth in secured value, and 69.0 percent growth in unsecured AV.

Total expenditures are estimated at \$18.6 million, \$207,000 less than the current fiscal year's adopted budget of \$18.8 million. This estimate includes the operating expenditures, administrative overhead reimbursement, interagency agreements and loan/debt service payments. The interagency agreements include the payments to the County in accordance with the agreement authorized in December 2004 and contributions to the Joint Powers Agreement (JPA) with the Mountain View Whisman School District and the Mountain View-Los Altos Union High School District as approved by Council in February 2006. Capital projects were adopted at \$2.9 million and increased midyear by \$400,000.

The fund is estimated to end the current fiscal year with a balance of \$22.2 million, which is desirable to fund major capital improvement projects and potential environmental obligations in the Shoreline Community.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	<u>2008-09</u> <u>Audited</u>	<u>2009-10</u> <u>Adopted</u>	<u>2009-10</u> <u>Estimated</u>	<u>2010-11</u> <u>Recommended</u>
Revenues:				
Property Taxes	\$22,339	22,923	28,550	26,845
Investment Earnings	1,993	1,419	1,408	1,165
Capital Project Refunds	588	-0-	-0-	-0-
Bond Repayment	380	709	709	708
Other	<u>236</u>	<u>191</u>	<u>190</u>	<u>190</u>
Total Revenues	<u>25,536</u>	<u>25,242</u>	<u>30,857</u>	<u>28,908</u>
Expenditures:				
Operating	9,155	9,103	8,896	8,867
Interagency Agreements	2,511	2,818	2,823	3,062
Debt Service	4,957	4,957	4,952	4,949
Loan Payment	<u>1,894</u>	<u>1,894</u>	<u>1,894</u>	<u>1,894</u>
Total Expenditures	<u>18,517</u>	<u>18,772</u>	<u>18,565</u>	<u>18,772</u>
Operating Balance	7,019	6,470	12,292	10,136
General Plan Update	(1,064)	-0-	-0-	-0-
Retirees' Health UAAL	(1,213)	(574)	(574)	-0-
Capital Projects	<u>(12,805)</u>	<u>(2,945)</u>	<u>(3,345)</u>	<u>(721)</u>
Excess (Deficiency) of				
Revenues	(8,063)	2,951	8,373	9,415
Beginning Balance	21,933	13,870	13,870	22,243
Strategic Investment/ Property Acquisition Reserve	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(10,000)</u>
Ending Balance	<u>\$13,870</u>	<u>16,821</u>	<u>22,243</u>	<u>21,658</u>

The Fiscal Year 2010-11 recommendations include the following:

- Position Reallocations: \$78,200 (ongoing)

Reallocates 0.04 of the Parks Manager, 0.07 of a Secretary, 0.50 of a Tree Trimmer I/II and 0.10 of the Tree Supervisor / Arborist's time from the General Operating Fund. *More appropriately allocates positions' time.*

- Surface Monitoring at the Landfill: \$10,000 (ongoing)

New legislation (AB 32) requires operators of closed landfills to substantially increase methane monitoring and take corrective actions when methane emissions exceed standards. This amount provides funding to comply with a new requirement on a contract basis for one of the three landfills. The two other landfills are funded by the Solid Waste Management Fund as appropriate. *Provide resources to comply with new legislation.*

- Major Capital Improvement Projects:

- Shoreline Infrastructure Maintenance: \$210,000

- Shoreline Pathway, Roadway and Parking Improvements: \$170,000

Overall, revenues for the 2010-11 fiscal year are projected to be \$28.9 million, \$1.9 million less than the current fiscal year estimate of \$30.9 million, primarily resulting from the inclusion of an estimated 4.0 percent reduction in AV for some commercial property and the projected lower investment yield. Final information regarding next fiscal year's tax roll will not be available from the County Assessor's Office until after July 1. The County has a backlog of assessment appeals and it is unknown how many commercial properties the County will be able to review, but it is projected the County Assessor will process some reductions for commercial properties for the upcoming fiscal year and staff anticipates further reductions will occur in Fiscal Year 2011-12. In total, property taxes are projected to be \$1.7 million lower than the current fiscal year estimate.

Recommended expenditures are \$18.8 million and include operating, reimbursement of public safety services and administrative support provided by the General Operating Fund, interagency payments and debt service/loan payments. In addition, the Shoreline Community is recommended to fund \$721,000 in capital improvement projects.

Currently under review are potential strategic economic development initiatives that could involve investment in projects or land acquisition, and \$10.0 million of the carry-

over balance is recommended to be reserved for this purpose. The projected ending balance for the fund is \$21.7 million for Fiscal Year 2010-11. While the demands on this fund have risen, revenues have recovered and the fund is in a good financial position.

Tax allocation bonds are planned to be issued to fund the construction of Fire Station No. 5, Permanente Creek and the athletic fields and potential other improvements if approved by Council. Staff will be returning to Council with a reimbursement resolution to preserve the Shoreline Community's right to issue bonds at a future date for these projects.

The Shoreline Community assessed value has grown significantly over the past few years. However, as was seen during the last recession, staff anticipates declines in assessed values as the County processes the backlog of reassessment appeals on commercial property. As there are demands on the financial resources of the Shoreline Community, staff is developing a long-term financial plan and will return to Council with the plan in the future.

## **UTILITY FUNDS**

### **WATER, WASTEWATER, SOLID WASTE MANAGEMENT**

The City's enterprise utility funds are funded by the rates charged to customers. In a July 2006 California Supreme Court decision (Bighorn), the Court ruled that utility rates charged by governmental entities for water, sewer and refuse services are considered property-related fees and are subject to the procedural requirements of Proposition 218, Article 130 of the California Constitution. Proposition 218 (as now interpreted) requires government agencies that charge for utility services to conduct a majority protest hearing prior to adopting any changes in utility rates. A notice must be mailed no later than 45 days prior to the public hearing, include the proposed rate adjustment, the calculation methodology and describe the process for submitting a protest vote to the rate adjustments.

The notices sent out April 24, 2009 (last year) provided for future inflationary increases and increases for pass-through costs. This allows for future rate increases within the prescribed limits to be approved without having to hold a hearing each year for up to an additional four years as provided by the legislation. For Fiscal Year 2010-11, the recommended rate increases fall within the pass-through and inflationary guidelines and, therefore, a Proposition 218 hearing is not needed. Staff will be mailing a notification letter of the proposed rate increases before the adoption of the Fiscal Year 2010-11 budget.

### **Water Enterprise Fund**

The Water Enterprise Fund accounts for the revenues and expenditures associated with the provision of retail water service to Mountain View residents and businesses. The City provides water service to approximately 96.0 percent of water customers within the City limits while the California Water Service Company (a private company) provides service to approximately 4.0 percent of water customers in a few previously unincorporated neighborhoods. Water for the City's system is obtained primarily (86.0 percent) from the San Francisco regional water (Hetch-Hetchy) system operated by the San Francisco Public Utilities Commission (SFPUC). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (10.0 percent) and obtained from City-owned wells (4.0 percent). The primary costs associated with water service are the purchase of water, staffing to operate and maintain the system, ongoing maintenance and major capital replacement and improvement projects. Charges for services are designed to fully fund ongoing annual costs and a base level of annual capital improvement projects as well as to maintain an adequate reserve.

A 5.0 percent rate adjustment was implemented for Fiscal Year 2009-10, primarily due to an increase in wholesale water costs of 15.4 percent from the SFPUC. This provider's significant rate increase was offset by revenue from the new recycled water program, allowing a smaller rate increase to consumers than what would have otherwise been needed. Current estimated revenues for Fiscal Year 2009-10 are \$19.9 million, approximately \$768,000 lower than budget. Water sales are estimated to be \$591,000 below budget and recycled water revenue is estimated to be \$250,000 below budget. Expenditures for the current fiscal year are estimated at \$17.3 million, \$1.0 million less than the budget of \$18.3 million, primarily as a result of savings in salaries and water purchases. In addition, there is \$1.2 million of funding toward the Water Fund's share of the Retirees' Health UAAL and \$3.4 million of funding for capital projects. The fund is estimated to end the fiscal year with reserves of \$6.2 million and an ending balance of \$2.2 million.

A new 25-year water supply agreement between the City and the SFPUC became effective as of July 1, 2009. The 1984 agreement granted a perpetual supply assurance and the new agreement continues this assurance at a level of 265 million gallons per day from existing watershed supplies until 2018. The agreement also modifies the way rates are set for wholesale customers to moderate the past significant swings of rate adjustments and the funding of major capital projects.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	<u>2008-09</u> <u>Audited</u>	<u>2009-10</u> <u>Adopted</u>	<u>2009-10</u> <u>Estimated</u>	<u>2010-11</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 646	580	633	560
Water Sales	17,623	18,423	17,832	19,285 <sup>(1)</sup>
Recycled Water Sales	-0-	831	581	460
Other	<u>1,668</u>	<u>831</u>	<u>851</u>	<u>809</u>
Total Revenues	<u>19,937</u>	<u>20,665</u>	<u>19,897</u>	<u>21,114</u>
Expenditures:				
Operating	7,568	8,555	8,096	8,538
Water Purchases	8,014	9,093	8,534	10,108 <sup>(2)</sup>
Debt Service	<u>639</u>	<u>633</u>	<u>633</u>	<u>634</u>
Total Expenditures	<u>16,221</u>	<u>18,281</u>	<u>17,263</u>	<u>19,280</u>
Operating Balance	3,716	2,384	2,634	1,834
Retirees' Health UAAL	(396)	(1,216)	(1,216)	-0-
Capital Projects	<u>(1,795)</u>	<u>(3,420)</u>	<u>(3,420)</u>	<u>(1,534)</u>
Excess (Deficiency) of				
Revenues	1,525	(2,252)	(2,002)	300
Beginning Balance	8,798	10,323	10,323	8,321
Reserves	<u>(5,431)</u>	<u>(6,165)</u>	<u>(6,165)</u>	<u>(6,194)</u>
Ending Balance	\$ <u>4,892</u>	<u>1,906</u>	<u>2,156</u>	<u>2,427</u>

<sup>(1)</sup> Based on rate adjustment of 5.0 percent.

<sup>(2)</sup> Based on the potential 15.2 percent increase in wholesale water costs by the SFPUC.

The major factors that influence rate setting for the Water Fund are: (1) the cost of wholesale water; (2) water consumption level; (3) annual operating costs; and (4) level of capital improvements. The cost of water purchases from the SFPUC and other water sources (approximately 54.4 percent of estimated expenditures) has been subject to major fluctuations for more than a decade and has caused the City's retail water rate adjustments to vary significantly.



The wholesale cost of water is expected to continue increasing significantly over the next five years due to the \$4.3 billion project to restore the aging Hetch-Hetchy water system. The SFPUC has adopted a rate increase of 15.2 percent effective July 1, 2010 and is projecting rate increases of 10.2 percent, 29.2 percent, 5.3 percent and 12.6 percent per year through Fiscal Year 2014-15 to pay for the capital costs of this major and necessary project. SCVWD is proposing no rate increase for Fiscal Year 2010-11.

Water consumption is a significant factor in the revenues generated by this fund. In the drought of the early 1990s, reduction in water usage was encouraged. Significant rate increases were implemented to fund fixed operating costs spread over a lower number of water units sold. For several years in the late 1990s, water consumption exceeded projections, which allowed for the funding of Water Master Plan projects from existing resources rather than having to issue debt to finance these projects. Water consumption has been fairly constant for the last few fiscal years. In June 2008, due to court-ordered water transfer restrictions, very low snow melt runoff and two years of below-average rainfall, the Governor declared a State-wide drought and issued an Executive Order, encouraging local water agencies to promote water conservation. The SFPUC and SCVWD requested voluntary reductions in water consumption in Fiscal Year 2008-09. In Fiscal Year 2009-10, the SCVWD requested a 15.0 percent reduction in water consumption. This past winter has experienced above-average rainfall but it is uncertain if the voluntary water reductions will be lifted.

Recycled water deliveries began in June 2009. Initial estimates were higher than actual usage of recycled water in part due to operational delays at the Palo Alto Regional Water Quality Control Plant (PARWQCP) which processes and delivers the recycled water. Projections for Fiscal Year 2010-11 have been adjusted but continues to have a positive financial effect on the Water Fund.

Annual capital project funding of \$1.5 million is included in the annual rate calculation as the three-year rolling average of annual projects. The policy is, if in any fiscal year capital projects are more or less than this amount, the difference is accounted for by an increase or decrease in Water Fund reserves. However, there are no funds in excess of policy to fund additional capital projects. In addition, the reserve policy is based on a percentage (10.0 percent for contingencies plus 15.0 percent for rate stabilization) of operating expenditures and, as expenditures rise, so does the reserve requirement.

The Fiscal Year 2010-11 expenditure recommendations include the following.

- Position Reallocation: \$68,000 (ongoing)

Includes the reallocation of 0.5 of the Revenue Manager position from the General Operating Fund as part of the operational efficiencies recommended for the General Operating Fund. *Appropriately reallocates time.*

- BAWSCA Membership Dues: \$9,000 (ongoing)

Provides funding for the increase in dues to the City's membership in the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interest of 25 agencies and 2 private water companies that purchase wholesale water from the San Francisco regional (Hetch-Hetchy) water system operated by the SFPUC. *Maintains membership in BAWSCA.*

- Major Capital Improvement Projects:
  - Miscellaneous Water Main/Service Line Replacement: \$1,165,000
  - Annual Water System Improvements: \$310,000

For Fiscal Year 2010-11, a 5.0 percent rate increase is recommended to fund increases in the recommended operating costs and the proposed 15.2 percent increase in SFPUC wholesale water costs. Given the state of the economy and financial considerations facing the citizens and businesses of Mountain View, staff has attempted to keep the recommended rate increase to the lowest level possible. (A comparison of the current rates and the recommended rates are included in Attachment C and recommended fee modifications are included in Attachment D.) However, there are unknown variables related to the level of water conservation achieved, the actual usage of recycled water, the effects of the significant wholesale rate increases versus the lower rates passed on to consumers and the cost recovery of fixed costs that may impact rate recommendations in the future.

From Fiscal Year 2006-07 through Fiscal Year 2009-10, wholesale water rate increases (in percentages) are as follows:

<u>Fiscal Year</u>	<u>SFPUC</u>	<u>SCVWD</u>	<u>CMV</u>
2006-07	19.6	4.9	11.0
2007-08	6.6	7.5	6.0
2008-09	10.0	7.8	5.0
2009-10	15.4	0.0	5.0
2010-11*	15.2	0.0	5.0

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\*SFPUC adopted rate, CMV recommended rate.

Although the City's rate increases were lower because water purchases make up only approximately 50.0 percent of the operating budget, these smaller increases have resulted in the first-tier rate now being lower than the cost of wholesale water from the SFPUC. Although it may be appropriate to subsidize consumers who conserve water, the long-term impact of not recovering the basic cost of water needs to be analyzed along with the level of the tiers for conservation efforts.

Another unknown factor is the fixed costs associated with maintaining the water system. These fixed costs should be substantially recovered through what is currently the meter charge and staff is concerned the current meter charge is insufficient to cover these fixed costs. The last rate study was commissioned in the early 1990s. Staff recommends an updated rate study be prepared during the upcoming fiscal year to address these issues and a new rate structure for the Water Utility be brought forward to Council, possibly next fiscal year.

Fiscal Year 2010-11 projected revenues, with the recommended 5.0 percent rate adjustment, are \$21.1 million and recommended expenditures are \$19.3 million (after eliminating the budget effect of depreciation expense). Included in expenditures is the 15.2 percent rate increase in wholesale water costs from the SFPUC.

The operating balance of \$1.8 million is recommended to fund the base level of capital projects. This results in a reserve balance of \$6.2 million, and the Fiscal Year 2010-11 ending balance is projected to be \$2.4 million.

Future year rates are anticipated to be impacted by the continued implementation of the SFPUC capital improvements to the Hetch-Hetchy system. The SFPUC has provided estimated future water rate increases of 10.2 percent, 29.2 percent, 5.3 percent and 12.6 percent for Fiscal Years 2011-12 to 2014-15, respectively. Also, additional future funding may be necessary as the City replaces current meters with remote-read capable meters to read meters more efficiently. Staff is currently purchasing remote-read capable meters with the annual capital project for routine meter replacements.

**Wastewater Enterprise Fund**

The Wastewater Enterprise Fund is the utility fund that accounts for the costs and revenues associated with the collection, transportation and treatment of liquid wastes generated from all residences and businesses in the City. Other associated functions included in this fund are the Hazardous Materials Permit Program and the Industrial Liquid Waste Management Program. Expenditures in the Wastewater Fund include the construction and maintenance of sanitary sewer lines, storm water lines and pump stations, the City's share of costs associated with the operation of the Palo Alto Regional Water Quality Control Plant (PARWQCP), in which the City is a partner, and personnel costs for the operation and maintenance of the system. This fund is impacted by costs associated with stringent requirements for treatment plant and storm water discharges into the San Francisco Bay and fluctuations in water usage. Revenues are partially governed by the amount of water used by commercial dischargers in the City each fiscal year.

Estimated revenues for the current fiscal year are \$15.0 million, \$132,000 more than the budget of \$14.9 million due to a one-time receipt of storm water runoff fees. Wastewater rates were increased 5.0 percent for Fiscal Year 2009-10 and wastewater service charges revenue is estimated at \$13.9 million, on target with the \$13.9 million budgeted for the current fiscal year.

Operating expenditures are currently estimated at \$10.9 million, \$2.7 million lower than the \$13.6 million originally budgeted due to savings in salaries and services and lower than budgeted wastewater treatment costs. Each fall, an annual reconciliation of the prior fiscal year's actual treatment costs (based on volume) is performed by the PARWQCP, and an adjustment is provided to each member agency. The City's share of actual expenditures of the treatment plant were lower than budget, resulting in a credit of \$2.0 million for Fiscal Year 2008-09 that is reflected in the estimate for the current fiscal year.

In addition, there is \$1.7 million in annual capital maintenance projects and funding of the Retirees' Health UAAL in the amount of \$180,000. The fund is estimated to end the fiscal year with a reserve balance of \$6.0 million and an ending balance of \$5.4 million. The reserve balance is higher than the required policy balance and in the future could be drawn upon to supplement ongoing annual capital projects above the base level built into the rates.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	<u>2008-09 Audited</u>	<u>2009-10 Adopted</u>	<u>2009-10 Estimated</u>	<u>2010-11 Recommended</u>
Revenues:				
Hazardous Materials/ Fire Safety Permits	\$ 421	425	422	425
Investment Earnings	493	475	527	467
Wastewater Service	13,172	13,865	13,859	13,859 <sup>(1)</sup>
Blended Water Charges	688	-0-	-0-	-0-
Other	<u>192</u>	<u>109</u>	<u>198</u>	<u>105</u>
Total Revenues	<u>14,966</u>	<u>14,874</u>	<u>15,006</u>	<u>14,856</u>
Expenditures:				
Operating	5,415	5,531	4,888	5,492
Wastewater Treatment	<u>7,614</u>	<u>8,106</u>	<u>6,050<sup>(2)</sup></u>	<u>7,448</u>
Total Expenditures	<u>13,029</u>	<u>13,637</u>	<u>10,938</u>	<u>12,940</u>
Operating Balance	1,937	1,237	4,068	1,916
Retirees' Health UAAL	(32)	(180)	(180)	-0-
Capital Projects	<u>(1,530)</u>	<u>(1,665)</u>	<u>(1,665)</u>	<u>(1,574)</u>
Excess (Deficiency) of Revenues	375	(608)	2,223	342
Beginning Balance	8,811	9,186	9,186	11,409
Reserve	<u>(5,984)</u>	<u>(5,983)</u>	<u>(5,983)</u>	<u>(6,043)</u>
Ending Balance	<u>\$ 3,202</u>	<u>2,595</u>	<u>5,426</u>	<u>5,708</u>

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<sup>(1)</sup> Based on a 0.0 percent rate increase.

<sup>(2)</sup> Includes \$2.0 million credit for Fiscal Year 2008-09 in this fiscal year's expenditures.

For Fiscal Year 2010-11, there are no additional expenditure recommendations.

- Major Capital Improvement Projects:
  - Miscellaneous Storm/Sanitary Sewer Main Replacement: \$1,380,000
  - Wastewater System Improvements: \$140,000

Costs for the PARWQCP are estimated to decrease a net 8.1 percent, resulting in the cost of wastewater treatment to be 57.4 percent of the recommended operating expenditures. Expenditures at the treatment plant were decreased due to labor savings and savings from operating costs as was reflected in the \$2.0 million credit received in the current fiscal year for the prior fiscal year's charges. This lower level of costs is carrying over and being reflected in PARWQCP's budget for Fiscal Year 2010-11.

No rate increase is recommended for Fiscal Year 2010-11 due to the decrease in PARWQCP costs. For rate-setting purposes, a \$1.6 million base level of annual maintenance capital projects is assumed for Fiscal Year 2010-11. As with the Water Fund, there are unknowns that may affect future rates.

The City of Palo Alto passed a new Recycled Water Salinity Reduction Policy for the PARWQCP which staff will be presenting to Council for approval. This policy could affect the City sewer system in the North Bayshore Area as staff believes most of the groundwater in the North Bayshore Area is subject to salt water intrusion due to its proximity to the Bay. Staff will begin additional sewer system monitoring in the next 90 days. The six-month monitoring program will provide information on the sewer main lines that are susceptible to salt water intrusion and require repair or replacement. Minor repairs to the sewer system can be absorbed in the annual CIP replacement program; however, if significant repairs are needed, a separate CIP may be required and would be funded from either the available balance or the reserve, if necessary.

In December 2009, the State Water Resources Control Board (SWRCB) imposed a new Regional Storm Water Permit requirement on storm water systems. This permit requires the City to begin Best Management Practices (BMP) of our storm water discharges. In January 2010, staff began additional monitoring and trash removal at the five storm water pumping stations. The water system flushing program is affected this year, with additional monitoring of pH, turbidity and total suspended solids (silts) discharging to the storm drain system. In January 2011, the City will be required to install and maintain trash-capture devices in 10.0 percent of the storm drain inlets within the commercial areas of the City (approximately 100 to 200 devices). The following years (2012 to 2014), the City may be required to install and maintain additional devices on more storm drain inlets in the rest of the City. The State intends to have all trash containment in place by 2014. The annual reports submitted to the

SWRCB will dictate the additional programs the City will be required to implement to comply with the BMP.

This requirement will affect the operations in a couple of City departments but mostly will affect the wastewater operations (maintenance of the devices). Additional resources may be required to comply with this requirement. Staff is currently evaluating the impacts to comply with these new regulations and will present Council with recommendations during next fiscal year's budget process.

In consideration of the challenging economic times, an alternative to staff's rate recommendation would be to decrease rates 5.0 percent for Fiscal Year 2010-11. This would be a one-time savings as, more than likely, rates will need to increase again in the following fiscal year. Alternatively, if rates remain unchanged, it is possible the rate for the following fiscal year could remain the same or may require a smaller increase than would otherwise be necessary.

Based on the recommended 0.0 percent rate increase, revenues for next fiscal year are projected at \$14.9 million and recommended operating expenditures are \$12.9 million (after eliminating the budget effect of depreciation expense), leaving an operating balance of \$1.9 million. In addition, there is \$1.6 million of funding for capital projects, resulting in total revenues exceeding expenditures by \$342,000. A reserve balance of \$6.0 million and an ending balance of \$5.7 million are projected at the end of Fiscal Year 2010-11.

### **Solid Waste Management Enterprise Fund**

The Solid Waste Management Enterprise Fund is the utility fund that accounts for the revenues and expenditures for solid waste-related services, including refuse collection and disposal, recycling services, street sweeping and maintenance of two of the City's three closed landfill sites.

Refuse generated in the City is transported to the SMaRT<sup>®</sup> Station (of which we are one of three partners) for removal of recyclables with the remaining refuse transported for final disposal at the Kirby Canyon Landfill in South San Jose. The City provides a variety of services through an outside contractor (Recology) for the collection of refuse and recyclables. The City bills and collects all revenues for solid waste services.

A general rate increase of 7.0 percent was adopted for Fiscal Year 2009-10. Current City revenue estimates for Fiscal Year 2009-10 are \$9.3 million compared to the budget of \$9.9 million. Refuse service charges are trending \$627,000 lower than budget. As noted in last fiscal year's narrative report as a potential unknown, the result of the slowdown in the economy has caused a decline in demand for services and a reduction in revenues.

City expenditures are estimated at \$10.0 million, \$144,000 greater than the adopted budget of \$9.9 million. The final reconciliation for Fiscal Year 2008-09 SMaRT Station costs were greater than budgeted, resulting in an amount owed to the SMaRT Station of \$288,000 and is reflected in the current fiscal year estimate. There are also savings estimated in salaries, services and supplies accounts.

Operating expenditures are projected to exceed operating revenues by \$736,000 due to the decline in revenues and the amount due to the SMaRT Station for the prior fiscal year. The fund is also contributing \$53,000 to the Retirees' Health UAAL and \$493,000 to fund capital projects. At the end of the current fiscal year, the fund is estimated with a reserve balance of \$2.5 million and an ending balance of \$1.5 million.



A comparison of the prior fiscal year audited, current fiscal year adopted and estimated and the upcoming fiscal year recommended follows (amounts in thousands):

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 182	170	162	144
Refuse Service Charges	8,462	9,422	8,795	9,685 <sup>(1)</sup>
Sale of Recycled Materials	-0-	55	54	55
Other	<u>274</u>	<u>226</u>	<u>253</u>	<u>161</u>
City Revenues	8,918	9,873	9,264	10,045
Recology Revenues <sup>(2)</sup>	<u>10,784</u>	<u>11,033</u>	<u>10,498</u>	<u>11,152</u>
Total Revenues	<u>19,702</u>	<u>20,906</u>	<u>19,762</u>	<u>21,197</u>
Expenditures:				
Operating	3,470	3,989	3,797	4,279
Disposal and SMaRT				
Station Charges	<u>5,163</u>	<u>5,867</u>	<u>6,203<sup>(3)</sup></u>	<u>5,983</u>
City Expenditures	8,633	9,856	10,000	10,262
Recology Payments <sup>(6)</sup>	<u>10,784</u>	<u>11,033</u>	<u>10,498</u>	<u>11,152</u>
Total Expenditures	<u>19,417</u>	<u>20,889</u>	<u>20,498</u>	<u>21,414</u>
Operating Balance	285	17	(736)	(217)
Retirees' Health UAAL	(31)	(53)	(53)	-0-
Capital Projects	<u>( 5)</u>	<u>(493)</u>	<u>(493)</u>	<u>(423)</u>
Excess (Deficiency) of				
Revenues	(249)	(529)	(1,282)	(640)
Beginning Balance	4,995	5,244	5,244	3,962
Reserves	<u>(2,395)</u>	<u>(2,464)</u>	<u>(2,464)</u>	<u>(2,599)</u>
Ending Balance	<u>\$ 2,849</u>	<u>2,251</u>	<u>1,498</u>	<u>723</u>

<sup>(1)</sup> Based on a recommended 8.0 percent rate adjustment.

<sup>(2)</sup> Neither revenues nor expenditures are adopted for Recology.

<sup>(3)</sup> Includes \$288,000 payment owed to SMaRT Station for reconciliation of the prior fiscal year.

While Recology's (formerly Foothill Disposal) revenues and expenditures are not considered as part of the City's budget as these are contractually passed through to

Recology, a revenue increase is provided to Recology per the agreement for collection services between the City and Recology. Generally, the agreement calls for a Consumer Price Index (CPI) adjustment, with a minimum return on investment of 6.0 percent and maximum of 12.0 percent. For Fiscal Year 2010-11, an increase of 6.23 percent is included per the agreement to return Recology to its minimum return of 6.0 percent. Costs consistent with the agreement are projected to increase within the CPI of 2.6 percent. However, refuse and recycling collection revenues are far below projected and are causing an adjustment greater than the CPI to return Recology to its minimum return of 6.0 percent.

In discussions with Recology about cost containment, Recology recently revised their projections for Fiscal Year 2010-11, decreasing the adjustment from the original 9.68 percent requested to 6.23 percent. This revision includes wage freezes on all nonunion positions and reductions in regional and intercompany management fees.

For Fiscal Year 2010-11, costs for the SMaRT Station are increasing 2.7 percent overall, but when adjusted for volume the increase is 10.6 percent. This reflects an estimated 12.0 percent reduction in total tonnage and an estimated 9.3 percent reduction in Mountain View tonnage. Due to the greater reduction in tonnage from Sunnyvale and Palo Alto, Mountain View's proportionate share of operations has increased, resulting in an increase in costs.

The Fiscal Year 2010-11 expenditure recommendations are listed below:

- Food Waste Composting Program: \$151,200 (ongoing)

The food waste composting pilot program is well under way with 600 tons of diversion estimated for Fiscal Year 2009-10 and 1,800 tons of diversion estimated for Fiscal Year 2010-11. Customers are charged the same rate for food waste composting as for trash. The avoided disposal costs realized through the SMaRT Station budget have in the past been adequate to offset the processing payments made to the composting provider. However, due to the overall decreased tonnage at the SMaRT Station resulting in an increase to Mountain View's operating expense (as discussed above), some additional funding will be needed to pay the composting provider. *Provides funding to complete implementation of the program.*

- Surface Monitoring at Landfill: \$140,000 (ongoing)

New legislation (AB 32) requires operators of closed landfills to substantially increase methane monitoring and take corrective actions when methane emissions exceed standards. This amount provides funding for this new requirement on a contract basis for two of the three landfills. Funding for the third landfill,

Crittenden, will be funded from the Shoreline Community Fund as appropriate.  
*Provides resources to adhere to new legislation.*

- Household Hazardous Waste Program: \$20,000 (ongoing)

Program funding for Mountain View's participation in the County-wide Household Hazardous Waste (HHW) Program is included in the SMaRT Station budget, which partially derives revenues from landfill tipping fees. However, that funding only supports participation of up to 4.0 percent of Mountain View households. To ensure that no Mountain View resident is turned away if the 4.0 percent limit is reached, the City Council authorizes augmented funding from the Solid Waste operating budget each year. In most prior years, this funding has been available through savings in the SMaRT Station budget. However, because there are no SMaRT Station savings, this funding request will budget the full cost of participation by Mountain View residents. *Provides funding to continue the program.*

- Major Capital Improvements:

- Shoreline Landfill Cap Maintenance and Repairs: \$120,000
- Landfill Gas/Leachate System Repairs and Improvements: \$120,000

Based on the contractual increase for Recology, as well as increases in the cost of City programs, the annual maintenance projects and the increased operating costs for the SMaRT Station, an 8.0 percent rate increase is recommended for Fiscal Year 2010-11. With an 8.0 percent general rate increase, the rate for a 32-gallon can will increase by \$1.40 a month to \$18.95 per month. See Attachment C for a comparison of the current rates and the recommended rates and Attachment D for recommended fee modifications..

Given the current economic climate, this rate increase was kept as low as financially prudent. A balance in all the utility funds is recommended for cash flow purposes. To keep the available balance unchanged in this fund, a 12.0 percent increase would be required. An 8.0 percent increase will reduce balances below recommended and if refuse and recycling revenue are not returned to prior levels, reserve levels may be reduced. If we have reached the bottom of the economic recession, demand for services should begin to increase.

Revenues for Fiscal Year 2010-11 are projected to total \$21.2 million (City revenues of \$10.0 million) with total expenditures of \$21.4 million (City expenditures of \$10.3 million). There is also funding for capital projects of \$423,000. The fund is projected to end the 2010-11 fiscal year with a reserve at the policy level of \$2.6 million and a \$723,000 ending balance.

## **CONCLUSION**

As previously mentioned, this report constitutes the budget update of the Building Services, Shoreline Golf Links, Revitalization Authority, Shoreline Regional Park Community, Water, Wastewater and Solid Waste Management Funds. The report also provides an update on City reserves and performance measures.

The Building Services Fund's revenues are estimated to be \$322,000 greater than the adopted budget as building activity is higher than projected and appears to have increased compared to the prior fiscal year. The Fund is estimated to end Fiscal Year 2009-10 with a balance of \$5.1 million.

The Shoreline Golf Links Fund continues to struggle. Alternative operational models will be presented to Council later this spring. The Fund is estimated to end Fiscal Year 2009-10 with a balance of \$839,000.

The Revitalization Authority continues to experience growth in its tax increment revenues and has sufficient financial capacity to fund debt service and the 20.0 percent Housing Set-Aside requirement. The Authority is scheduled to expire in April 2011. Plans for the expiration as well as potential alternatives for extension are being reviewed.

The Shoreline Regional Park Community's property taxes are up for Fiscal Year 2009-10 as staff worked with the County to ensure the AV was added back to the tax roll for the two leased properties removed last fiscal year. Unsecured and supplemental taxes are projected to decline for Fiscal Year 2010-11. Staff will return to Council for approval of a future bond issue to fund major capital improvement projects in the Shoreline Community. Staff will be developing a long-term financial strategy for the Shoreline Community.

The Water Fund revenues are \$768,000 below budget and expenditures are \$1.0 million below budget. The SFPUC has adopted a rate increase of 15.2 percent in wholesale water costs and SCVWD is currently proposing no rate increase. As a result, a 5.0 percent rate adjustment is recommended to water rates for Fiscal Year 2010-11. The new recycled water project is providing a positive fiscal effect on the Water Fund. A new Water Master Agreement with the SFPUC has been adopted.

The Wastewater Fund's revenues are essentially as budgeted and expenditures are \$2.7 million less than budget primarily due to a \$2.0 million credit from the PARWQCP for Fiscal Year 2008-09. No rate adjustment is recommended for Fiscal Year 2010-11.

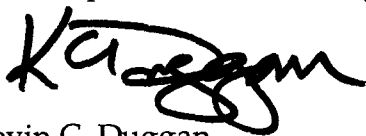
For the Solid Waste Management Fund, a contractual increase for Recology and increased costs for the SMaRT Station result in an 8.0 percent rate increase recommended for Fiscal Year 2010-11.

All utility rate increases are within the guidelines adopted in the Fiscal Year 2009-10 Proposition 218 notice and, therefore, a public hearing is not required. A notification of the proposed rate adjustments will be mailed out prior to the adoption of the Fiscal Year 2010-11 Budget.

The total average increase for a single-family residential customer as recommended for all three utilities is 4.1 percent, resulting in an estimated increase of \$3.08 monthly. A comparison of the current and the recommended rates are included in Attachment C.

Most reserves are at or exceed their target or policy balance. Any supplement required for the General Fund reserve will be determined based on the proposed budget. As the General Operating Fund carryover is insufficient to fully fund limited-period expenditures and supplement reserve requirements, the use of Budget Contingency Funds is necessary.

Staff looks forward to reviewing these recommendations with you and providing any follow-up information as requested.



Kevin C. Duggan  
City Manager

KCD/BUD  
614-2010-11SUF^

- Attachments:
- A. Reserves
  - B. Nine-Month Actual Performance Measures
  - C. Utility Rate Recommendations and Comparisons
  - D. Recommended Fee Modifications

# **Attachment A**

## **RESERVES**

### **INTRODUCTION**

The City has established reserves for various purposes in the General Fund, Utility Funds and Internal Services Funds. A major factor considered by Standard & Poor's in awarding the City its AAA underlying credit rating was the structure and funding status of reserves. Most reserves are established pursuant to City Council Policy A-11, Section 4, Reserve Policies, and others have been approved by City Council. A discussion regarding the reserve structure, balances available for allocation, estimated fiscal year end reserve balances compared to policy or target balances and the recommended allocation of available balances are described below.

In Fiscal Year 2006-07, the Council adopted recommendations to restructure and consolidate various reserves. Council consolidated the Operating Contingency, Long-Term Contingency and Revenue Stabilization Reserves into the General Fund Reserve.

Utility reserves are recorded in the Water, Wastewater and Solid Waste Management Funds for emergencies, contingencies/rate stabilization and capital improvements.

### **BACKGROUND AND ANALYSIS**

#### **Reserves Structure**

Reserves can be classified as those uncommitted but designated for a specific purpose and those created to fund liabilities.

- Reserves uncommitted but designated for specific purposes:
  - General Fund Reserve
  - General Fund Budget Contingency Reserve
  - Capital Improvements
  - Open Space Acquisition
  - Strategic Property Acquisition

- Reserves to fund liabilities:
  - Property Management
  - Graham Site Maintenance
  - Child-Care Center Financing
  - Compensated Absences
  - PERS Liability
  - Equipment Replacement
  - Workers' Compensation Self-Insurance
  - Unemployment Self-Insurance
  - Liability Self-Insurance
  - Retirees' Health Insurance Program

Reserves in the first group are uncommitted but designated for a specific purpose and are funded entirely by the General Fund. Those in the second group, with the exception of the Property Management, Graham Site Maintenance and Child-Care Center Financing Reserves, receive transfers from multiple operating funds and have current or future liabilities offsetting all or most of the reserve balance. For the Child-Care Center Financing and Retirees' Health Program, the liability currently exceeds the reserve balance. Funds for the Child-Care Center are accruing interest to reach the amount needed for the future liability. For the Retirees' Health Program, the City continues to accumulate funds toward this ever-growing liability.

Reserves are essential elements in maintaining financial stability, meeting long-term objectives and providing the ability to respond to emergencies. They are also important sources of interest income.

### **General Operating Fund Balance and One-Time Revenues and Expenditure Savings**

The City's General Operating Fund ended the 2008-09 fiscal year with an operating balance of \$2.3 million. There was also \$1.2 million in one-time revenues and expenditure savings and \$577,000 of previous unallocated carryover, for a total available balance of \$4.1 million. After funding \$4.0 million of reserve supplements and limited-period expenditures included in the Fiscal Year 2009-10 Adopted Budget, a total unallocated balance of \$31,000 remains. Included in the Fiscal Year 2009-10 Adopted Budget is a \$540,000 transfer from the Budget Contingency Reserve to bridge the shortfall of the



estimated available and the Fiscal Year 2009-10 allocations. As there are sufficient funds available, the \$540,000 transfer from the Budget Contingency Reserve will not be necessary.

The table below details the available balance for allocation (amounts in thousands):

Fiscal Year 2008-09 General Fund Operating Balance	\$2,305 <sup>(1)</sup>
Net One-Time Revenues and Expenditure Savings	<u>1,174</u>
Total Fiscal Year 2008-09 General Fund Carryover	3,479
Remaining Prior Year Balances	<u>577</u>
Total Balance Available for Fiscal Year 2009-10	4,056
Less Fiscal Year 2009-10 Adopted Budget Allocations	( <u>4,025</u> )
Total Remaining Available for Allocation	31
Estimated Fiscal Year 2009-10 Operating Balance	266 <sup>(2)</sup>
Estimated Fiscal Year 2009-10 One-Time Revenues and Expenditure Savings	<u>1,448</u>
Total Estimated Balance Available for Allocation	<u>\$1,745</u>

<sup>(1)</sup> Includes \$559,000 Economic Stabilization Contingency and net changes in Assets and Liabilities.

<sup>(2)</sup> Includes estimated net change in assets and liabilities.

This total is still only a projection since it includes an estimate for the General Operating Fund carryover at the close of the current fiscal year and is not currently available funds. Recommendations regarding these funds follows (amounts in thousands):

Total Estimated Available for Allocation	<u>\$1,745</u> <sup>(1)</sup>
Recommended Annual Allocations:	
General Fund Reserve	TBD <sup>(2)</sup>
Limited-Period Expenditures (Fiscal Year 2010-11 Budget)	(728)
Compensated Absences	<u>(2,000)</u>
Total Annual Recommended Allocations	<u>2,728</u>
Estimated Additional Funding Needed	<u>\$ (983)</u>

<sup>(1)</sup> Includes \$266,000 estimated Fiscal Year 2009-10 operating balance and \$1.5 million estimated Fiscal Year 2009-10 estimated one-time revenue and expenditure savings.

<sup>(2)</sup> To be determined once expenditure reductions are included for the proposed budget.

Included in staff's recommendation is \$2.7 million to fund annual allocations to replenish reserves and funding of next fiscal year's limited-period expenditures. The current fiscal year estimated available for allocation is much more limited and is insufficient to fund the usual annual allocations to replenish reserves and supplements to annual obligations.

Full funding for Equipment Replacement (supplement of \$945,000 for a total \$2.1 million) and the amortization of the Retirees' Health UAAL General Fund (\$1.8 million) obligations is recommended to be funded in the General Operating Fund. This can be accomplished by building in an estimated budget savings amount. The risk to this method is that budget savings fluctuate from fiscal year to fiscal year; in the past, it has ranged from \$1.6 million to \$4.7 million. There is also a risk to this method during a period of contraction whereby budget savings may be reduced due to the reduction of positions and other expenditures. In addition, this will result in a lower carryover balance for future fiscal years to fund and supplement reserves, including the CIP Reserve. If the budget savings are not fully realized, any shortfall will need to be funded from the Budget Contingency Reserve.

The remaining \$1.0 million balance needed is recommended to be funded from the Budget Contingency Reserve. There is still funding needs in Retirees' Health Insurance and if there were additional funds available, staff would recommend supplements to this and, perhaps, other unmet funding needs.

## Background and Analysis

The table below details the estimated balance, recommended allocations, recommended balance and policy/target balance for each reserve (amounts in thousands):

	6/30/10 Estimated <u>Balance</u>	Amount Recommended <u>for Allocation</u>	7/1/10 Recommended <u>Balance</u>	Policy/ Target <u>Balance</u>
Uncommitted but Designated for Specific Purpose:				
GF Reserve <sup>(1)</sup>	\$22,670	TBD	22,670	22,670 <sup>(1)</sup>
GF Budget Contingency	7,750	(983)	6,767	6,767
GF Capital Improvements	5,658	-0-	5,658 <sup>(2)</sup>	5,000
GF Open Space Acquisition	1,822	-0-	1,822 <sup>(3)</sup>	1,822
GF Strategic Property Acquisition	<u>12,379</u>	<u>-0-</u>	<u>12,379</u>	<u>12,379</u>
Subtotal	<u>50,279</u>	<u>(983)</u>	<u>49,296</u>	<u>48,638</u>
To Fund Liabilities:				
GF Property Management	1,600	-0-	1,600	1,600
Graham Site Maintenance	1,000	-0-	1,000	1,000
GF Child-Care Center Financing	1,464	-0-	1,464	1,575
Compensated Absences	8,650	2,000	10,650	9,921 <sup>(4)</sup>
GF PERS Liability	200	-0-	200	200
Equipment Replacement <sup>(5)</sup>	13,196	-0-	13,196	13,500
Workers' Compensation <sup>(5)</sup>	5,259	(525)	4,734	4,443 <sup>(6)</sup>
Unemployment	290	-0-	290	290
Liability Self-Insurance <sup>(5)</sup>	<u>3,114</u>	<u>525</u>	<u>3,639</u>	<u>3,639<sup>(6)</sup></u>
Subtotal	<u>34,773</u>	<u>2,000</u>	<u>36,773</u>	<u>36,168</u>
Total	<u>\$85,052</u>	<u>1,017</u>	<u>86,069</u>	<u>84,806</u>
Retirees' Health Trust <sup>(5)</sup>	<u>49,300<sup>(7)</sup></u>	<u>-0-</u>	<u>49,300<sup>(7)</sup></u>	<u>72,302<sup>(6)</sup></u>

<sup>(1)</sup> Policy balance is calculated as 25.0 percent of the General Operating Fund budget to be determined with the proposed budget.

<sup>(2)</sup> Includes \$5.0 million policy balance and \$658,000 to fund capital projects for Fiscal Year 2010-11.

<sup>(3)</sup> Includes \$504,000 to fund capital projects for Fiscal Year 2010-11.

<sup>(4)</sup> Based on the liability established June 30, 2009.

<sup>(5)</sup> Funding provided by the General Fund, Building Services, Shoreline Golf Links, Revitalization Authority, Parking District, CDBG, Shoreline Regional Park Community, Enterprise Funds and Fleet Maintenance as applicable.

<sup>(6)</sup> Actuarial liability, in addition to reserve for catastrophic claims per policy as applicable.

<sup>(7)</sup> Amount held in the California Employers Retirement Benefit Trust (CERBT) managed by CalPERS.

### General Fund Reserve

With the Fiscal Year 2006-07 Adopted Budget, the Council approved the consolidation of the Operating Contingency, Long-Term Contingency and Revenue Stabilization Reserves into one General Fund Reserve with a policy balance of 25.0 percent of the General Operating Fund adopted expenditures. This reserve is the source of funding for necessary, but unanticipated, expenditures during the fiscal year, unanticipated revenue shortfalls, source for interfund loans, emergencies and to generate ongoing interest earnings. The allocation necessary for this reserve to meet policy is dependent on the actions taken to adopt a balanced budget, as any expenditure reduction will reduce the 25.0 percent policy amount. Based on total expenditures prior to any reductions, \$850,000 would be needed to supplement this reserve. Staff will calculate any reserve supplement, if necessary, with the proposed budget. Any use of this reserve for the remainder of the fiscal year will increase the amount needed to supplement this reserve.

In Fiscal Year 2009-10, up to \$1.0 million in the General Fund Reserve was earmarked for the first-time homebuyers program. These loans would be considered as an investment alternative and would be included as funds toward the 25.0 percent policy balance.

### General Fund Budget Contingency Reserve

As the economic situation was unfolding during the beginning of the last downturn in the economy, the City set aside funds to establish a Budget Transition Reserve. This reserve was created to position the City to adjust to anticipated lower revenues and provided financial flexibility in case revenue estimates were not met or State actions forced further budget reductions. Each subsequent fiscal year, the City took the necessary actions to reduce expenditures to maintain a balanced operating budget. The reserve did provide funding in situations where reduction in resources would have to be transitioned over a period of time. After revenues began to rise again, the need for this reserve was reviewed and in Fiscal Year 2006-07 the Council consolidated and eliminated what was believed at the time to be an unnecessary reserve.

Unfortunately, for Fiscal Year 2008-09, the City found itself in a similar position as when this reserve was created and found the need to reestablish this reserve. As noted during the preparation of the budget, the economic climate was changing at that time and the economy plunged into the deepest recession since the Great Depression. Therefore, the Budget Contingency Reserve (formerly the Budget Transition Reserve) was reestablished at \$5.0 million from the \$12.2 million balance that was previously allocated to the CIP Reserve.

In Fiscal Year 2009-10, the remaining \$3.0 million CIP Reserve above the \$8.0 million (needed for its policy balance of \$5.0 million plus future CIP needs of \$3.0 million) was

reallocated to the Budget Contingency Reserve. For Fiscal Year 2009-10, this reserve was budgeted to transfer \$1.6 million to the General Operating Fund to balance the budget and \$540,000 to the General Nonoperating Fund for supplementing reserves and limited-period expenditures. However, due to the significant underspending of expenditures, neither of these transfers are currently estimated to be needed.

Council approved up to \$200,000 to be utilized for a retirement incentive program. In addition, there are funding needs of \$1.0 million in excess of the estimated funding available from this fiscal year's carryover that is recommended to be funded from this reserve. The budget also assumes the inclusion of additional General Operating Fund obligations (equipment replacement and Retirees' Health) into the operating budget based on including an estimated budget saving amount, but if there are insufficient budget savings, any shortfall will be funded from this reserve.

#### General Fund Capital Improvements Reserve

The City has had a long-term policy to reserve a minimum of \$5.0 million for unspecified capital improvement projects in the General Fund Capital Improvement Reserve. This provides flexibility in the City's planning for capital projects, serves as a contingency fund for capital projects, generates ongoing investment earnings and also serves as an emergency pool of funds for unanticipated high-priority capital needs.

With the Fiscal Year 2007-08 budget, the unallocated General Fund operating balance of \$12.2 million was added to this reserve for future major capital projects and due to the deteriorating economic climate, \$5.0 million was redirected to reestablish the Budget Contingency Reserve for Fiscal Year 2008-09. In Fiscal Year 2009-10, \$3.0 million in excess of the \$5.0 million policy balance and \$3.0 million to fund the future CIP was allocated to the Budget Contingency Reserve. The current estimated balance is \$5.7 million, of which \$658,000 will go toward funding capital improvement projects for Fiscal Year 2010-11.

In June 2009, the Council appropriated \$3.5 million from the CIP reserve for the acquisition of the property at 263 Escuela Avenue to be funded from the \$5.0 million reserve policy balance. However, at that time, there was a balance of \$3.0 million for future CIPs reserved above the \$5.0 million policy balance in addition to funds available from CIP refunds. Since there were sufficient funds in the CIP Reserve to fund the property acquisition, the funds were not required to come from the policy balance.

The \$3.5 million is to be repaid from the future land lease payment of the downtown family housing project. The precise amount of the future lease payment is unknown but is anticipated to be paid within the next 6 to 12 months. Once the future lease payment is received, these funds will be available to be allocated.

### General Fund Open Space Acquisition Reserve

This reserve was established for the purpose of acquiring open space to meet the needs of the City and had been inactive since Fiscal Year 2000-01. In Fiscal Year 2007-08, \$3.0 million from available balances was allocated to this reserve. These funds will supplement funding available from Park Land Dedication fees. For Fiscal Year 2009-10, \$1.2 million was transferred to capital projects. For Fiscal Year 2010-11, \$504,000 has been proposed to fund the Stevens Creek Trail, Sleeper Avenue to Dale Avenue/ Heatherstone Way construction capital project.

### General Fund Strategic Property Acquisition Reserve

This reserve was created in Fiscal Year 2000-01 for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies) in order to take advantage of economic development opportunities. The proceeds from the sales of City-owned property have been placed in this reserve as one source for its funding. The fund has accumulated the funds necessary for the purchase of the Moffett Gateway Properties from the County and State as authorized by Council. The property purchase from the County was completed earlier in the fiscal year and staff will continue to pursue the property owned by the State. If the City can acquire and consolidate these properties, it could be used for development that would generate a significant long-term revenue stream for the General Operating Fund.

### General Fund Property Management Reserve

This reserve was established in Fiscal Year 1995-96 to provide a source of funds for landlord obligations that could arise from the lease of City property in the North Bayshore Area. These obligations could include environmental testing, certain responsibilities identified in land leases or other costs normally incurred by a lessor. At this time, the \$1.6 million balance is believed to be sufficient for these obligations.

### Graham Site Maintenance Reserve

This reserve was established in Fiscal Year 2004-05 to fund maintenance obligations for the Graham Sports Complex. In the agreement with the school district to build the reservoir beneath the playing fields at Graham Middle School, the Water Fund contributes \$220,000 per year to this reserve with the funds being used to reimburse the City for the maintenance costs of the Graham Sports Complex incurred by the General Operating Fund.

### General Fund Child-Care Center Financing Reserve

With the adoption of the Fiscal Year 2005-06 budget, the Council set aside \$1.2 million as part of the financing plan for the Child-Care Center. The \$1.2 million funded a

portion of the initial \$200,000 payment (prior to the operator assuming operations) to the Packard Foundation and will fund the balloon payment due at the end of Year 8. The balance is estimated to generate sufficient interest earnings to fund the final payment to the Packard Foundation. The Child-Care Center opened in September 2008, and the first debt payment was made in January 2009.

#### Compensated Absences Reserve

The Compensated Absences Reserve was established in Fiscal Year 1991-92 to fund the City's liability for the accrued vacation, comp time and sick leave obligations of employees in all funds except the Enterprise and Internal Service Funds. The liabilities of the Enterprise and Internal Service Funds are recorded in those respective funds as required by governmental accounting standards. This reserve is drawn down for leave payoffs to terminating and retiring employees (for accumulated vacation and sick leave, if applicable under the City's Personnel Rules) and current employee vacation cash-out payments during the fiscal year. The leave liability is recalculated, in accordance with generally accepted accounting principles, each fiscal year with the close of the City's financial records.

During Fiscal Year 2008-09, approximately \$1.0 million was paid out of this reserve and \$890,000 has been paid out as of March 31, 2010. The current estimated reserve balance of \$8.7 million is lower than the calculated liability of \$9.9 million as of June 30, 2009; therefore, staff is recommending \$2.0 million be allocated to this reserve. The liability will be recalculated at the close of the current fiscal year. With this allocation, the reserve will be above the liability as of June 30, 2009; however, there could be an increase in the liability when it is recalculated as of June 30, 2010 and payouts will occur during the upcoming fiscal year that will need to be funded.

#### General Fund Public Employees Retirement System (PERS) Liability Reserve

The PERS Liability Reserve was created with the Fiscal Year 2004-05 Adopted Budget to mitigate the City's anticipated rising retirement costs related to prior year PERS investment portfolio losses. In the boom years leading up to the last recession, the City benefited from PERS investments achieving significantly higher investment returns than the return assumed in actuarial calculations. Excess investment returns resulted in the City being overfunded from an actuarial standpoint and retirement rates were temporarily reduced.

When PERS investment surpluses began to lower retirement rates, the City established a policy of budgeting normal cost in an attempt to avoid significant swings in the budget due to temporary changes in PERS rates. During the fiscal years between 1999-2000 and 2002-03, the actual amounts paid to PERS were less than the City's normal costs. The difference between the normal cost and the actual costs were considered one-time savings.

The amount that had accumulated from these PERS savings was set aside in the General Fund PERS Liability Reserve and has been used to fund the annual liability payment to PERS that now exceeds normal costs. These savings pertain only to the Miscellaneous group (nonsafety) employees' retirement plan. The PERS savings of \$1.9 million pertaining to the safety group was used when the enhanced retirement benefit of 3.0 percent at 50 was granted.

As a result of labor agreements approved by the Council, the PERS 2.7 percent at 55 pension benefit became effective July 1, 2007 for Miscellaneous (nonsafety) employees. Provisions in the agreements provide for employees to share a portion of the City's increased costs for the enhanced retirement benefit as well as agreeing to reduce the costs and change the structure of retirees' health benefits offered to new employees. In return for these modifications, the City implemented the enhanced retirement benefit and made a one-time payment of \$4.0 million from the PERS Liability Reserve to reduce the City's unfunded liability associated with the enhanced retirement benefit. According to PERS, the \$4.0 million payment reduced the City's PERS rate on an ongoing basis by approximately 1.0 percent.

The remaining balance in the PERS Liability Reserve has been used to fund a portion of the City's PERS costs in order to manage higher PERS rates by phasing them into the General Operating Fund over several fiscal years. In the Fiscal Year 2005-06 Adopted Budget, Council approved a strategy of phasing out the use of the reserve by \$100,000 per fiscal year until the General Operating Fund has absorbed the full PERS costs for Miscellaneous employees. Fiscal Year 2010-11 was estimated to be the final year of funding from the reserve. However, as interest earnings have accrued, the recommended budget for next fiscal year assumes \$100,000 from this reserve, down \$58,000 from the amount used in the current fiscal year. Fiscal Year 2011-12 will be the final year of transfer from the reserve of approximately \$100,000, plus any additional accrued interest. Once all funds have been utilized, the PERS Liability Reserve will be dissolved.

#### Equipment Replacement Reserve

The City established the Equipment Replacement Reserve in Fiscal Year 1991-92 to stabilize the annual funding needed for the replacement of certain City equipment. Level annual contributions are received from various funds and the reserve absorbs the large fluctuations in annual expenditures for equipment replacement from fiscal year to fiscal year. Only major categories of fixed assets are included in the Equipment Replacement Fund. The assets included are all vehicles, Information Technology equipment (i.e., computers, printers, servers, etc.), Fire fleet, Police and Fire radios, CAD/RMS system hardware and Communications Center furniture and equipment. The equipment for the maintenance of Shoreline Golf Links is also separately accounted for in the Equipment Replacement Fund. The annual contribution level is based on the



cost or estimated replacement cost of the asset divided by the estimated useful life of the asset.

For Fiscal Year 2010-11, the General Operating Fund's contribution is recommended to include the same \$1.2 million as the prior three fiscal years. However, it is also recommended the additional \$945,000, normally funded from carryover balances, to fully fund the \$2.1 million General Operating Fund's annual share, be included in the General Operating Fund based on funding from estimated budget savings. This allows for the full amount of the General Operating Fund's share of Equipment Replacement contribution to all be included in the operating budget. The estimated balance of \$13.2 million is slightly below the target balance of \$13.5 million. Equipment replacements scheduled for Fiscal Year 2010-11 total \$2.5 million plus there is \$1.3 million being rebudgeted (from the \$3.9 million budgeted in the current fiscal year) for a total of \$3.8 million. Staff will be reviewing all items before purchasing and will only replace those items necessary due to expected failure or that will provide improved efficiencies.

#### Workers' Compensation Self-Insurance Reserve

The Workers' Compensation Fund was established by Council resolution on September 7, 1975 to account for the City's self-insured obligations for Workers' Compensation liabilities to injured City employees. This program continues to be cost-effective in comparison to purchasing insurance.

The City last reviewed the cost effectiveness of the Self-Insurance Program in April 2007. Based on the City's loss experience, payroll, Workers' Compensation Insurance Rating Bureau (WCIRB) pure premium rate estimates, employee class codes and insurance company charges for Workers' Compensation services, it was estimated the cost of the Self-Insurance Program to be \$1.6 million (paid costs, reserves were not factored in as future potential cost exposure) and an insured program would have cost \$2.4 million.

The primary reasons to be self-insured is to control costs and pay claims as they are incurred to maximize cash flow and provide timely and better services. When insured, one pays all the premium fees up front and then the insurance carrier manages the claim in hopes of incurring less costs. By being self-insured, the City can better manage the claim and provide better services to our employees.

Expenditures paid out of this fund includes the cost for the City's Third-Party Administrator (TPA), the insurance above our self-insurance retention, claims and indemnity payments and the State self-insurance fee. The City's existing Workers' Compensation TPA contract is due to expire June 30, 2010 and staff has recently issued a Request for Proposal for Workers' Compensation TPA services. Staff will be returning to Council with a recommendation for a TPA contract in May. However, it is unknown at this time if cost reductions can be achieved with a new TPA provider.

In addition, the City budgets \$200,000 a year to fund Public Safety employee's salaries while on Workers' Compensation. This is utilized when Police or Fire requires to back-fill with overtime or other personnel for the employee out on Workers' Compensation and cannot absorb the cost of the employee's salary in the department's budget.

The required balance of this reserve is based on projected liabilities as determined by an actuarial valuation conducted every year. In addition, the reserve policy includes funding in the amount of \$1.0 million for the potential of two catastrophic claims at the City's current level of self-insured retention of \$500,000 per claim (i.e., deductible). The accrued liability is reviewed on an annual basis with the audit of the City's financial statements. The reserve has an estimated balance of \$5.3 million, higher than the \$4.4 million policy level as of June 30, 2009. As the Liability Self-Insurance Reserve is slightly underfunded, it is recommended \$525,000 be transferred from the Workers' Compensation Fund to the Liability Self-Insurance Fund to bring that reserve up to its policy level.

#### Unemployment Self-Insurance Reserve

The Unemployment Self-Insurance Reserve was approved by Council on March 13, 1978. This program provides for the State-mandated unemployment insurance benefits for former employees. The City pays for unemployment claims on a pay-as-you-go basis. In prior years, contributions for the estimated payments were made annually. As a balance accumulated in this fund, the annual contributions were recommended to cease as a General Operating Fund reduction measure. Although annual expenditures will fluctuate in this fund, the latest economic recession has resulted in higher unemployment cost. However, staff believes there is sufficient funding to last several fiscal years. There is an estimated balance of \$290,000 for this fund.

#### Liability Self-Insurance Reserve

The Liability Self-Insurance Reserve was approved by Council on August 11, 1980. The City currently self-insures for the first \$1.0 million of liability exposure per occurrence. The City is a member of the Authority of California Cities Excess Liability (ACCEL) Program for the pooling of liability insurance above the \$1.0 million self-insured retention. ACCEL began in 1992 as a pool for medium-sized cities. Other members of the pool are Anaheim, Bakersfield, Burbank, Modesto, Monterey, Ontario, Palo Alto, Santa Barbara, Santa Cruz, Santa Monica and Visalia. ACCEL pools liability coverage for the next \$4.0 million of coverage and the City purchases additional coverage of \$55.0 million through ACCEL for total liability coverage of \$60.0 million.

Other expenditures funded from the Liability fund are for outside legal counsel for defense against claims, insurance (e.g., property, automobile, flood, etc.) and payment for claims.

Council Policy A-11 specifies the policy level of this reserve to be \$2.0 million for the self-insured exposure for two catastrophic incidents and an amount to fund estimated incurred claims. The estimated incurred claims are determined by an actuarial valuation performed every year and are reviewed on an annual basis with the audit of the City's financial statements. Due to several major liability claims filed against the City in the past couple of years, the actuarial valuation, last updated as of June 30, 2009, increased from \$381,000 to \$1.6 million. The policy level for this reserve is now \$3.6 million. This reserve has an estimated balance of \$3.1 million and it is recommended \$525,000 from the excess in the Workers' Compensation Reserve be transferred to this reserve to bring it up to its policy level.

#### Retirees' Health Insurance Program Reserve

The City provides postemployment health care benefits by contributing all or a percentage of the premium cost for its retired employees. The cost for current employees who will be eligible for this benefit in the future, as well as those already retired, represents an outstanding liability to the City. The current fiscal year adopted expenditure for all funds to pay the annual cost of this benefit on a "pay-as-you-go" basis is approximately \$1.8 million.

The Governmental Accounting Standards Board (GASB) Statement No. 45 became effective for the City for Fiscal Year 2007-08 and requires the Actuarial Accrued Liability (AAL) to be updated every two years. GASB Statement No. 45 also requires the calculation of the City's Annual Required Contribution (ARC). The ARC consists of two components—the normal costs which represents the annual cost estimate for this benefit in the future for current employees and the amortization of the Unfunded Actuarial Accrued Liability (UAAL). The UAAL represents the unfunded portion of the liability for retirees currently receiving the benefit and the future benefit associated with past service for current employees. The UAAL is amortized over a period of 30 years.

The total City actuarial accrued liability as of January 1, 2009 was \$66.6 million. This is based on a 7.75 percent discount rate (the rate assumed by the CalPERS Trust). This actuarial included an estimated liability of \$72.3 million for the second year or as of January 1, 2010. The City will have accumulated an estimated \$49.3 million as of June 30, 2010. Staff phased the funds to the Trust over a period of approximately 1-1/2 years. If the funds were not placed in an irrevocable trust, the City would not be able to take credit for the funds set aside toward the reduction of its ARC.

All but a few funds (General Operating and Golf Links Funds) have funded their share of the UAAL based on the July 1, 2009 valuation. Each time the valuation is updated, the AAL is recalculated and residual amounts may need to be funded. Due to the significant interest earned in the trust, all funds that fully funded the UAAL in Fiscal Year 2009-10 will not need to make an additional payment in Fiscal Year 2010-11. The General

Operating Fund's share of the UAAL is estimated at \$23.0 million and contributions toward this liability are made when funds are available.

The City has made great strides toward funding the AAL of \$72.3 million (estimated as of January 1, 2010). In addition, labor contracts for some employee organizations have included provisions to assist in controlling the growth of this liability into the future by implementing a defined contribution plan option and all groups have limits on the City's contributions. However, this obligation continues to grow faster than the City's ability to fund and represents a significant long-term risk to the City's financial well-being.

For the upcoming fiscal year, the General Operating Fund's annual funding for the normal cost portion of the General Fund's ARC will be \$1.8 million and the amortization UAAL portion of the ARC of \$1.8 million is also to be included in the General Operating Fund and funded from estimated budget savings. This allows for the City's full annual ARC to be funded from the General Operating Fund.

#### Reserve Recommendations

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. Annual funding recommendations include allocations to the Compensated Absences Reserve and limited-period expenditures. As there are insufficient funds estimated to fund these obligations from the current fiscal year estimated carryover, the shortfall will be funded from the Budget Contingency Reserve. Additional supplemental funding for the General Fund Reserve may be required, depending on the recommendations for balancing the budget for Fiscal Year 2010-11. If no expenditure reductions are taken, this could result in additional funding of up to \$850,000. Staff will calculate any reserve supplement, if necessary, with the proposed budget.

The additional obligations for the Equipment Replacement Reserve and Retirees' Health Insurance Program are recommended to be funded in the General Operating Fund based on estimated budget savings. The underspending of the budget occurs every fiscal year but varies from fiscal year to fiscal year. Staff is recommending to assume an estimated level of budget savings for purposes of providing funding for these obligations that belong to the General Operating Fund, but the General Operating Fund revenues have been insufficient to provide for. If the budget savings are less than estimated, any shortfall will then need to be funded from reserves. The consequence of this alternative is it may reduce or eliminate any carryover for Fiscal Year 2010-11 that would be needed to fund or supplement other reserves or obligations.

These recommendations will allow most reserves to meet policy levels and provide funding for or supplement next fiscal year's obligations.

KCD/BUD/614-2010-11--Reserves^

# **Attachment B**

**CITY CLERK'S OFFICE**  
**PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Elections	Percent of official election notices published without errors and on time	100%	N/A	N/A	N/A
	Percent of Statement of Economic Interests processed correctly and submitted on time	100%	100%	100%	100%
Legislative	Percent of agenda packets prepared and distributed five days before Council meeting	100%	100%	100%	100%
	Percent of agendas and minutes posted at least 72 hours prior to a regular Council meeting	100%	100%	100%	100%
	Percent of minutes prepared for City Council meeting without errors of fact	>98%	66% (A)	80% (A)	91% (A)
	Percent of resolutions and ordinances processed within five days after a Council meeting is held	>90%	100%	100%	100%
	Percent of Council agenda staff reports processed within five days after a Council meeting is held	>90%	100%	100%	100%
	Percent of legal hearing notices prepared, noticed and mailed within legal deadlines	100%	100%	100%	100%
Records Management	Percent of agenda items uploaded to imaging system each agenda production week	100%	100%	100%	100%
	Number of agreements documented and indexed	750	150	350	472
Administrative/ Support to Council	Percent of Council service requests responded to within one working day of receipt	100%	100%	100%	100%

(A) Two of 6 sets of minutes had corrections thru the first quarter. Two of 10 sets of minutes had corrections thru the second quarter. Two of 23 sets of minutes had corrections thru the third quarter.

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**CITY ATTORNEY'S OFFICE**  
**PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
City Attorney's Office	Total cost of legal services, in-house and outside counsel, as a percent of General Operating Fund budget	<2%	0.31%	0.63%	0.86%
	Percent of claims entered into the claim reporting system, reported to ACCEL and directed to appropriate departments for response within 5 working days of receipt of the claim	>90%	100%	100%	100%
	Percent of routine contracts reviewed within 10 working days	>85%	99%	99%	99%
	Percent of complex contracts reviewed within 20 working days	>80%	95%	95%	96%
	Percent of code enforcement cases responded to within 5 working days of receipt of complaint or observation of violation	>95%	95%	96%	96%



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**CITY MANAGER'S OFFICE  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
City Manager's Office	Percentage of City Manager's Office cost as a percent of the General Operating Fund budget	<2%	1.3%	1.4%	1.4%
	Percent of multi-lingual Community Outreach Program information requests that are responded to within three business days	>90%	90%	90%	90%
	Number of communications regarding the City's position on legislation or legislative issues made annually to the State Legislature, Congress and other branches of government	5	2	3	4
	Number of Community Information and Outreach Program products provided (newsletters, press releases, Internet postings, media contacts, etc.)	40	26	63	85 (A)
	City Manager's Office staff attendance at community-based events/meetings for community support, liaison or networking purposes (not specific to job duties)	25	18	30	39
	Percent of time comments submitted within public comment period on environmental reports, regulations, legislation or report reviewed by City Manager's Office (necessity of commenting determined on a case-by-case basis)	100%	100%	100%	100%

(A) Number of communications/media vary due to need. Includes Census 2010 and FY 2010-11 budget communications.

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**EMPLOYEE SERVICES DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Employee Services Department	Employee turnover rate	<10%	1%	3%	3%
	Percent of recruitments/vacant positions filled by existing personnel (excludes promoting within positions classified as I/II)	>30%	40%	44%	47%
	Percent of recruitments successfully completed within the negotiated time line set by the hiring department	>90%	100%	100%	100%
	Percent of new employee orientations conducted within 7 days of hire	>98%	100%	100%	100%
	Percent of retirement planning informational meetings conducted with retiring employees	>90%	100%	100%	100%
	Percent of employee separation reports processed through to the appropriate agency within the 10-day reporting time line following State guidelines	>95%	100%	95%	95%
	Percent of employee requests for FMLA leave responded to within 5 business days (pursuant to Federal guidelines)	>95%	100%	97%	92% (A)
	Percent of employee benefit inquiries responded to within 2 working days	>85%	100%	99%	99%

(A) Five of 66 requests did not meet target due to the transision of staff responsible for handling FMLA management during third quarter.

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**FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Financial Management	Accuracy of final budget numbers - percent of budget corrections needed due to error	<2%	0.3%	0.3%	0.3%
	Percent of time portfolio's market risk target (modified duration) is within:				
	• 3.0 percent of the benchmark (policy requires 25 percent of time within 3.0 percent)	>50%	100%	100%	89%
	• 15.0 percent of the benchmark (policy requires 100 percent of time within 15.0 percent)	100%	100%	100%	100%
	Cost per payroll check issued (cost of payroll operation to total paychecks issued)	<\$18.00	\$14.70	\$14.32	\$15.58
	Percent of reissued payroll checks versus total issued	<2%	0.2%	0.1%	0.06%
	Payroll checks issued	21,500	5,299	11,238	16,226
	Percent of utility bills processed and mailed 10 working days from last meter reading date	>95%	100%	100%	100%
	Percent of utility accounts and accounts receivable accounts written off as a percent of total receivables	<3%	1.2%	1.2%	1.4%
Accounting	Percent of correcting accounting entries to total accounting entries	<15%	8.5%	10.5%	10.6%
	Percent of month-end closes completed within 10 working days (target assumes June and July will not close within 10 working days due to year-end workload)	83%	67% (A)	83%	89%
	Cost of Accounts Payable processing as a percent of total dollars spent	<1%	0.2%	0.2%	0.2%

**FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Administrative Services	Cost of procurement services as a percent of total dollars spent	<4%	3.5%	3.3%	3.0%
	Percent of time purchase orders issued timely	>85%	89%	88%	88%
	Percent of time Document Processing documents are completed timely	>90%	100%	100%	100%
	Percent of time Copy Center documents are completed timely	>90%	97%	99%	99%
Information Technology	Cost of information services as a percent of total City department expenditures	<3%	2.3%	2.2%	2.1%
	Percent of time network is up	>98%	99%	99%	99%
Risk Management	Percent of Workers' Compensation program costs to total payroll	<5%	Reported annually	Reported annually	Reported annually
	Percent of hours lost to occupational injury compared to total hours worked	<2.5%	Reported annually	Reported annually	Reported annually
	Percent of dollars recovered compared to expenditures paid to repair damage due to third-party vehicle accidents	100%	Reported annually	Reported annually	Reported annually

(A) Lower percentage due to year-end closing workload during July.

**COMMUNITY DEVELOPMENT DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Planning	Percent of time that staff analysis and recommendation on General Plan or rezoning applications are completed within the established schedule	>80%	100%	100%	78% (A)
Economic Development	Number of contacts with businesses interested in relocating or expanding in Mountain View	50	15	35	50
Neighborhood Preservation	Percent of Federally funded contracts carried out in compliance with City and Federal requirements	100%	100%	100%	100%
Building Inspection	Percent of time where City provides 24-hour building inspection response for those inspection requests received by 3 p.m. on weekdays	>95%	100%	100%	100%
	Percent of time that City meets five-day turnaround plan check for all Fast Track submittals that meet building inspection criteria	>90%	99%	98%	98%

(A) Two schedules were extended: 455 Evelyn (Prometheus) and General Plan update.



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**PUBLIC WORKS DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Transportation and Property Services	Pounds of disposed waste per person per day	<7.8	4.6	4.6	4.6
Engineering	Percent of construction projects completed with less than 10.0% time increase over the original contract award	>85%	N/A (A)	82% (A)	83% (A)
	For Capital Improvement Projects, the number of times not within 25% of engineer's estimate	<25%	25% (B)	23% (B)	37% (B)
	Percent of time all tentative maps and private development applications are reviewed within the departmental standard review time	>90%	73% (C)	72% (C)	76% (C)
	Pavement condition index for asphalt (Metropolitan Transportation Commission rating scale of 0-100, 70- 100 being very good)	>75	75	75	75
Business and Internal Support Services	Percent of Facilities Division work orders completed in 30 days or less	>85%	84.5% (D)	88%	85.4%
	Percent of Fleet's Preventative maintenance work orders completed within 30 days of schedule	>80%	39% (E)	40% (E)	40% (E)
	Percent of time frontline fleet units are available (Public Services and Community Services field vehicles)	>90%	98%	98%	98%

**PUBLIC WORKS DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Public Services	Number of feet of sewer mains cleaned	>400,000	139,926	237,099	397,724
	Total number of sanitary sewer overflows	<20	2	3	8
	Total number of water main breaks	<6	0	1	1
	Total number of water quality reportable events	<110	30	60	98
	Total number of air and/or water quality reportable events at the closed landfills	<2	0	0	1

- (A) No construction project accepted in first quarter. Two out of 11 projects did not meet target during second quarter. Two out of 12 projects did not meet target thru third quarter.
- (B) Variances were less than engineers's estimate because of the favorable bidding climate thru second quarter. Target not met during third quarter due to combining three projects in to one construction contract.
- (C) Twenty-four out of 33 projects reviewed within the standard review time thru the first quarter. Fifty-two out of 72 projects reviewed within the standard review time thru the second quarter. Eighty-one out of 106 projects reviewed within the standard review time thru the second quarter.
- (D) One person in maintenance staff on medical leave thru first quarter and overall reduced staff levels due to SEIU December paid days off per union contract agreement.
- (E) Some work being outsourced to reduce backlog. Performance thru third quarter is consistent with last four fiscal years.

**COMMUNITY SERVICES DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Shoreline Golf Links	Percent of round of golf played versus course capacity (84,000 rounds)	>90%	26%	44%	60%
Forestry	Average maintenance cost per landscaped median acre	<\$8,500	\$1,685	\$3,825	\$5,977
Parks	Average maintenance cost per park acre (not including Shoreline Park)	<\$15,000	\$3,848	\$7,597	\$10,884
Recreation	Percentage of class registrations completed on-line (net, not including golf, tennis, drop-in or lap swim)	>25%	30%	27%	30%
	Number of facility rental permits issued/individual bookings (uses) (includes group BBQ areas, Adobe, Community Center, Senior Center, gyms, athletic fields)	1,800/ 10,000	907/ 2,987 (A)	1,206/ 5,386 (A)	1,455/ 7,057
	City-wide volunteer time staffing equivalent	15 FTE	4.6 FTE	9.3 FTE	15.3 FTE (B)

(A) Facility rental permits total is high due to seasonal usage and is consistent with previous fiscal year.

(B) Increase in volunteer hours attributed to a higher unemployment rate.

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**LIBRARY SERVICES DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Public Services	Number of visitors and Library customers	900,000	232,458	427,818	627,928
	Number of items circulated per capita	24	6	11	17
	Number of items circulated per registered borrower	18	5	9	14
	Reference questions answered per capita	1.5	0.4	0.7	0.9
	Number of children participating in children's programs	30,000	8,981 (A)	14,605	16,563
	Circulation per FTE (including hourly staff)	33,000	9,680 (B)	18,361	27,285
	Percent of circulation that is customer self-check	>95%	95.8%	95.4%	95.9%
	Percent of materials returned at automated returns	>85%	91.3%	91.1%	91.1%
	Total collection turnover rate	5.5	1.4	2.6	4
Support Services	Average number of calendar days between receipt of new item and availability to check out	<35	30	29	27
	New book and media titles cataloged	15,000	2,997	7,047	10,997
	New book and media items processed	25,000	7,048	14,828	23,794

(A) Attendance higher because of Summer Reading Program.

(B) Less FTE and higher circulation than projected.

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**FIRE DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Suppression	Percent of time a first in fire engine arrives on a structure fire scene within 6 minutes of dispatch	100%	100%	100%	100%
	Percent of time the second due fire engine arrives on a structure fire scene within 8 minutes of dispatch	100%	100%	100%	100%
	Percent of emergency medical code 3 calls where responding unit arrived within 6 minutes of dispatch	>90%	94.3%	94.7%	94.5%
Fire and Environmental Protection	Percent of plans checked within five working days of receipt by division	100%	100%	100%	100%
	Number of inspections conducted by Environmental Safety Section	1,100	313	806 (A)	1,214 (A)

(A) Increased inspections through third quarter due to filling the previously vacant Environmental and Safety Protection Inspector position.



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**POLICE DEPARTMENT  
PERFORMANCE MEASURES/WORKLOAD MEASURES**

Program	Performance Measure/ Workload Measure	2009-10 Target	2009-10 3-month Actual	2009-10 6-month Actual	2009-10 9-month Actual
Administration	Percent of Officers in compliance with POST training requirements	100%	100%	100%	100%
Field Operations	Sustain Part I crimes index below the mean average for cities listed in annual report	2,444 (FY 08-09 index)	596	1,116	1,436
	Sustain traffic-related injuries below the mean average as compared to the Office of Traffic Safety comparable cities	<350	53	99	144
	Response Time (10-97) of 4 minutes or less on all Priority E and 1 calls for service	>55%	61.9%	61.3%	60.1%
Investigative Services	Increase Part I crime clearance	>25%	32%	31%	26%
Support Services	Percent of incoming 9-1-1 calls answered within 9 seconds of receipt	>95%	98.1%	98.6%	98%
	Percent of emergency medical dispatch calls where Emergency Medical Dispatch services were provided to the public	>85%	93.9%	96%	96.7%

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# Attachment C

**Effects of Recommended Utility Increases - FY 10-11**

<b>Single Family</b>		<b>09-10</b>	<b>10-11</b>	<b>Difference</b>	<b>% Change</b>
*Water	(10 units)	\$ 32.74	34.38	1.64	5.0%
Sewer		24.20	24.20	0.00	0.0%
Trash	(1 can)	<u>17.55</u>	<u>18.95</u>	<u>1.40</u>	8.0%
Total monthly bill:		\$ 74.49	77.53	3.04	4.1%

<b>Multi-Family (4-plex)</b>		<b>09-10</b>	<b>10-11</b>	<b>Difference</b>	<b>% Change</b>
*Water	(40 units)	\$ 125.08	131.39	6.31	5.0%
Sewer		96.80	96.80	0.00	0.0%
Trash	(4 can)	<u>70.20</u>	<u>75.80</u>	<u>5.60</u>	8.0%
Total monthly bill:		\$ 292.08	303.99	11.91	4.1%

<b>Commercial</b>		<b>09-10</b>	<b>10-11</b>	<b>Difference</b>	<b>% Change</b>
*Water	(60 units)	\$ 226.95	238.29	11.34	5.0%
Sewer		173.88	173.88	0.00	0.0%
Trash	(TB3S1)	<u>269.50</u>	<u>291.05</u>	<u>21.55</u>	8.0%
Total monthly bill:		\$ 670.33	703.22	32.89	4.9%

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# Attachment D

# FEE SCHEDULE—PUBLIC WORKS DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
		<b><u>Utilities</u></b>				
		Utility Labor Rates <sup>(n)</sup> :				
		Frontline				
		Regular	\$66.00	\$72.00	Hour	7/1/10
		Overtime	\$99.00	\$107.00	Hour	7/1/10
		Manager				
		Regular	\$104.00	\$112.00	Hour	7/1/10
		Supervisor				
		Regular	\$85.00	\$91.00	Hour	7/1/10
		Overtime	\$128.00	\$137.00	Hour	7/1/10
	35	Utility Rates:				
		Water Service Charges		5.0%		7/1/10
	35	Wastewater Service Charges		No Rate Increase Recommended		7/1/10
	16	Refuse and Recycling Charges		8.0%		7/1/10
	35.9	Water Turn On (same day) <sup>(n)</sup> :				
		Authorized M-F called in between 4:01 p.m.-7:59 a.m. and Sat, Sun and Holidays		\$107.00	Fixed	7/1/10
	35.9	Unauthorized M-F called in between 4:01 p.m.-7:59 a.m. and Sat, Sun and Holidays	\$100.00	\$118.00	Fixed	7/1/10

<sup>(n)</sup> Fees not impacted by utility rates.



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